

## Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03  
INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03  
SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-05  
CEA-01 PA-01 PRS-01 /081 W  
-----038465 142122Z /66  
R 141222Z DEC 77  
FM AMEMBASSY CAIRO  
TO SECSTATE WASHDC 2872

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E.O. 11652: N/A  
TAGS: EFIN, EG  
SUBJ: 1978 SUBSIDY BUDGET RISES: DEFICIT ANNOUNCED

REF: CAIRO 20720

1. EMBASSY HAS OBTAINED FULL ARABIC TEXT OF MINFIN  
HAMED'S BUDGET PRESENTATION GIVEN DEC 8 AT PEOPLES  
ASSEMBLY (REFTEL). WHILE TRANSLATION WILL TAKE TIME,  
CERTAIN UNPUBLISHED APPENDICES TO SPEECH HAVE PROVED INTER-  
ESTING, PARTICULARLY 1978 DIRECT SUBSIDY BUDGET, TABU-  
LATED BY MINISTRY OF FINANCE AS FOLLOWS (OUR TRANSLATION):

- 1978 STATE BUDGET BURDENS
- VISIBLE SUBSIDIES TO REDUCE
- COST OF LIVING

- IN L.E. MILLION
- DIFFER-
- 1978 1977 ENCE

GENERAL AUTHORITY FOR SUPPLY

- COMMODITIES 343.0 313.4 29.6

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GENERAL AUTHORITY FOR COOPERA-

- TIVES IN BUILDING & HOUSING .8 .3 .5

GENERAL AUTHORITY FOR CAIRO

- TRANSPORT 13.5 9.7 3.8

GENERAL AUTHORITY FOR ALEXANDRIA

- TRANSPORT 4.0 1.8 2.2

GENERAL AUTHORITY FOR AGRICULTURAL

- & COOPERATIVE CREDIT & GOVER-			
- NORATES' LENDING BANKS	9.1	5.7	3.4
GENERAL AUTHORITY FOR PETROLEUM			
- (BUTAGAZ)	15.1	10.2	4.9
POPULAR CLOTH (SPINNING & WEAVING)	41.0	16.3	24.7
AGRICULTURAL CROPS EQUALIZATION			
- FUND	32.8	13.0	19.8
SUBSIDY FOR NEWSPAPERS' PAPER	3.5	3.5	--
DIFFERENCE IN NEWSPAPERS' PAPER			
- PRICES	--	4.5	- 4.5
PAPER FOR COPY BOOKS	2.0	2.0	--
TOTAL	464.8Z	380.4Z	84.4

2. IF THE FUNDS APPROPRIATED TO MEET THE DIFFERENCE IN EXCHANGE RATES IN THE GENERAL STATE BUDGET AMOUNTING TO L.E. 168.3 MILLIONS, AGAINST L.E. 224.2 MILLIONS IN 1977, ARE ADDED THE TOTAL VISIBLE SUBSIDY FUNDS APPROPRIATED IN 1978 WILL BE L.E. 633.1 MILLIONS, AGAINST L.E. 604.6 IN THE FISCAL YEAR 1977.

2. MINFIN HAMED REPORTEDLY ANNOUNCED TO PEOPLES ASSEMBLY DECEMBER 13 THAT GOE DOES NOT CONTEMPLATE ABOLISHING SUBSIDIES ON BASIC ITEMS OR RAISING TAXES. HE SET SIZE OF 1978 BUDGET DEFICIT AT L.E. 332 MILLION, AN IMPROVEMENT, HE SAID, OVER 1977 FIGURE (I.E., L.E. 400 MILLION).  
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3. COMMENT: MINISTRY'S FOOTNOTE ELABORATION OF ACTUAL COST OF SUBSIDIZED ITEMS IS ESPECIALLY REVEALING AS GOE HAS NOT BEEN AS OPEN IN PAST ABOUT REAL EXCHANGE RATE COST FOR MANY ITEMS. MINFIN OFFICIALS STRESSED IN CONVERSATION WITH EMBOFF THAT SUBSIDY INCREASE IN 1978 IS NOT IN REAL TERMS BECAUSE EGYPTIAN POPULATION IS GROWING; INCREMENTAL CHANGE FROM 1977 DOES NOT REFLECT MORE SUBSIDIES, BUT RATHER EQUIVALENT AMOUNT FOR SAME ITEMS SUPPORTED PREVIOUS YEAR IN LIGHT OF POPULATION RISE.

4. DESPITE FACT THAT FISCAL PROGRAM STILL IN PRELIMINARY STAGE AND REGARDLESS OF EXPLANATION OF INCREASED TOTAL, GOE'S APPARENT DETERMINATION TO MAINTAIN SUPPORT PRICES ON ROUGHLY SAME RANGE OF COMMODITIES AND SERVICES SEEMS CLEARLY COUNTER TO SPIRIT, IF NOT LETTER, OF IMF UNDERTAKINGS IN CONNECTION WITH STANDBY CREDIT. REDUCTION IN PROJECTED BUDGET DEFICIT WILL ONLY PARTIALLY COUNTERACT NEGATIVE IMPRESSION ON DONORS OF CONTINUED LARGE-SCALE SUBSIDY PROGRAM. EILTS

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** DATA, BUDGET DEFICITS  
**Control Number:** n/a  
**Copy:** SINGLE  
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**Decaption Date:** 01-Jan-1960 12:00:00 am  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1977CAIRO21526  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D770465-1115  
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**Litigation History:**  
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**Office:** ACTION NEA  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
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**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 77 CAIRO 20720  
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**Review Release Date:** n/a  
**Review Release Event:** n/a  
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**Review Withdrawn Fields:** n/a  
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**Status:** NATIVE  
**Subject:** 1978 SUBSIDY BUDGET RISES: DEFICIT ANNOUNCED  
**TAGS:** EFIN, EG  
**To:** STATE  
**Type:** TE  
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**Review Markings:**  
Margaret P. Grafeld  
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